

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM**

**Meeting held at:
Woodstock Country Club
1301 W. 38th Street
Indianapolis, Indiana 46208**

November 4, 2016

Board Members Present

Michael Pinkham
Ken Cochran
Erin Sheridan
Brian Abbott

Bret Swanson
Deanna Oware

Guest Presenters

Jeff MacLean, Verus
Brandon Roberson,
PricewaterhouseCoopers (PWC)

Cindy Fraterrigo,
PricewaterhouseCoopers (PWC)
Mike Zurek, Nyhart

Staff Presenters

Steve Russo, Executive Director
Scott Davis, Chief Investment Officer
Lindsay Knowles, Benefits Attorney

Donna Brown, Chief Financial Officer
Steven Barley, Chief Operations Officer
Blair Webb, Senior Investment Analyst

Meeting called to order at 10:06 a.m. by Chairman Cochran.

In accordance with normal practice, Board members were provided electronically written materials in advance of the meeting.

I. Approval of Minutes from September 2, 2016, Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the September 2, 2016, Board meeting.

*Proposed by: Michael Pinkham
Seconded by: Brian Abbott
Votes: 6 in favor, 0 opposed, 0 abstentions*

II. Required Business

A. Indiana Administrative Code (IAC) Adoption

Lindsay Knowles presented proposed updates to the IAC. A written executive summary of the changes was given to the board for review. Ms. Knowles discussed IAC changes due to 2015 Legislation, Goal 1A, and ASA Only Expansion. New rules were proposed in the areas of service credit determinations, when retirement application deemed received, military leave of absence contributions, transfer of employee contribution from certain Indiana public retirement fund assets for service purchases, and service credit reinstatement under settlement agreement or administrative or judicial proceeding.

MOTION duly made and carried to approve all of the changes to the IAC presented in Board Resolution No. 2016-11-04.

Proposed by: Mike Pinkham
Seconded by: Brian Abbott
Votes: 6 in favor, 0 opposed, 0 abstentions

B. Investment Policy Statement Revisions

Scott Davis presented recommended revisions to the Investment Policy Statement. The Board will be asked to approve the revised IPS at the December 2016 meeting.

C. Funding Policy Update

Donna Brown presented the revised INPRS Funding Policy. Ms. Brown discussed revisions that address the determination of contribution rates for employers who had implemented a soft freeze and agreed to make additional contributions to PERF in future years.

MOTION duly made and carried to approve recommended changes to the INPRS Funding Policy.

Proposed by: Brian Abbott
Seconded by: Mike Pinkham
Votes: 6 in favor, 0 opposed, 0 abstentions

D. Actuarial Valuation & Contribution Rates

Donna Brown, Mike Zurek, and Brandon Robertson discussed the actuarial valuation as of June 30, 2016. Ms. Brown reviewed the funding objectives and noted changes since the June 30, 2015 evaluation.

Mr. Robertson from PricewaterhouseCoopers followed with information regarding PERF, the 1977 Fund, JRS, EG&C, PARF, and LEDB funds. He discussed the

current and projected funded status, and the current and projected calculation of the actuarial required contribution rate.

Mr. Zurek from Nyhart provided information about the pre and post 96 TRF Fund status. He talked about the current and projected funded status, and the current and projected calculation for the actuarial contribution rate.

Ms. Brown finished with a review of the overall fund status of INPRS, interest rate sensitivities, and a summary of the ARC (Annual Required Contribution). She discussed the contribution rate development for political subdivisions in PERF. Based on actuarial valuations as of June 30, 2016, the Composite Rate Group (CRG) contribution rate for political subdivisions included in the CRG was recommended by staff to be continued at 11.2% effective January 1, 2018.

INPRS Staff Recommended Contribution Rates for Fiscal Year 2018	
PERF State	11.2%
TRF 1996 Account	7.5%
ASA-Only Member Crediting Rate	3.4%
ASA-Only Total Employer Rate	11.2%

INPRS Staff Recommended Contribution Rates for Calendar Year 2018	
PERF PSD (CRG Rate)	11.2%
1977 Fund	17.5%
E,G,&C Plan	20.75%
LEDC Plan	14.2%

MOTION duly made and carried to approve staff recommended contribution rates.

Proposed by: Brian Abbott
Seconded by: Mike Pinkham
Votes: 6 in favor, 0 opposed, 0 abstentions

MOTION duly made and carried to approve fiscal year 2018 and 2019 appropriation amounts.

Proposed by: Bret Swanson
Seconded by: Mike Pinkham
Votes: 6 in favor, 0 opposed, 0 abstentions

III. Unfinished Business

The Board did not have any unfinished business.

IV. New Business

A. Operations Update

Steve Barley presented an overview of the Operations department. Mr. Barley summarized the department's performance, the amount of retirements received by fund, and retirement satisfaction. Mr. Barley gave an overview on the Call Center, which included call center volume, service level, complaints summary, and call center satisfaction.

B. Financial Update

Donna Brown presented the INPRS financial update to the Board. Ms. Brown began with a summary of the financial highlights as of end of September 2016. Ms. Brown reviewed the September financials, then talked about past due employer contributions. Ms. Brown discussed fiscal year 2017 actual and forecast change in net position and expenses compared to budget. Ms. Brown also talked about fiscal year 2017 actual and forecast change in net position and expenses compared to budget.

C. Investments Update

Scott Davis presented the INPRS investment update to the Board. He started with a review of team imperatives, provided highlights of INPRS' investments, and reviewed the INPRS investment portfolio. Mr. Davis also provided a timeline for the Target Date Funds Study and Active vs. Passive Study. Mr. Davis talked about INPRS' fiscal year 2017 in review, asset allocation as of September 30th, defined benefit performance, and ASA funds' performance. Mr. Davis also discussed the current managers on the watch list.

D. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo summarized the meeting with the Pension Management Oversight Committee. Mr. Russo also discussed the PERF and TRF ASA Guaranteed Fund transition to Stable Value Fund, delivered the ASA Recordkeeper and ASA Annuity Update, and summarized the Balance Scorecard.

V. Other Business as requested by the Board

No other business was requested by the Board.

VI. Preliminary Agenda for December 16, 2016 Board Meeting

A copy of the preliminary agenda for the December 16, 2016, meeting was included in materials provided electronically to Board members.

VII. Preliminary 2017 Board Meeting Schedule

A copy of the proposed 2017 Board Meeting schedule was included in materials provided electronically to Board members.

VIII. Board Education

A. Actuary

Brandon Robertson and Cindy Fraterrigo from PricewaterhouseCoopers (PWC) talked about proposed actuarial standards of practice on risk disclosure.

B. Private Credit

Scott Davis and Blair Webb discussed private credit. Mr. Webb discussed the benefits and risks of private credit, the differentiation within private credit, and the vehicles for investment in private credit.

C. Active Management

Jeff MacLean from Verus talked about active management. He discussed what active management means, the alternatives, how and where it is used within the portfolio, and what active risk is and the impact on the total portfolio risk. Mr. MacLean also presented case studies on how active managers create active risk.

D. Environmental, Social, and/or Governance (ESG)

Jeff MacLean from Verus discussed what ESG is, the history, the complexities, and ESG's performance.

IX. Adjournment

MOTION duly made and carried to adjourn the November 4, 2016, Board meeting at 3:32 p.m.

Proposed by: Mike Pinkham
Seconded by: Bret Swanson
Votes: 6 in favor, 0 opposed, 0 abstentions